



BURNS INSIGHTS

STIFEL | Burns Investment Group

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Mr. Magoo But Not You Too?

Poor Mr. Magoo didn't stand a chance! (If you don't remember who Mr. Magoo was, you are obviously one of our younger clients. Good for you!) Mr. Magoo was a cartoon character. He was a rich tycoon but suffered from very poor eyesight. Due to his lack of proper perception, he always unwittingly found himself in dangerous situations. Lucky for him, he was completely naïve to each predicament and, because it was a cartoon, we could rest assured no harm would come to him.

You see, Mr. Magoo thought he was seeing things clearly, and what he chose to see became his reality at the time. His unwillingness to get help from an optometrist, and perhaps his vanity or hubris, didn't allow him to see with complete clarity. The comedy was born out of our identifying with him because we sometimes let our pride, ego, or stubbornness lead us into precarious and potentially harmful situations.

This happens to investors all the time. When it comes to investing, we often let the immediate information make us believe that we should use it to make a financial decision. When in reality, we only possess partial information or we only see what we want to see. That brings up another issue. Besides only having partial or incorrect information, investors also each have their own biases and experiences that are overlaid on top of the information. This further skews how we see an issue. For example, if you believe in conspiracy theories, you are more likely to see and hear conspiracy in a story. Like Mr. Magoo, we can suddenly become myopic. We think everything is okay, but in reality we are heading for a brick wall or an open sewer hole.

What Mr. Magoo had going for him, though, was that he was just living his life. He wasn't home watching the local cable news channel or overly worried about the plight of today's world. He had an energy that the French call, "la joie do vivre." I'd like to think that Mr. Magoo had a Stifel financial advisor and that he allowed his advisor to assist him in keeping his eye on the big picture and help him appreciate his situation. That's what we want our clients to do. As one of our core tenets states, "Life is about experiences and relationships." We hope our clients can maintain a sense of perspective where they can enjoy life today and rely on us to help guide them toward a secure financial future.

The Art of the Long View

Successful investing requires discipline, consistency, and patience. Sometimes I feel like I must sound like a broken record (Again, for the young people: We used to hear our music on records – flat vinyl discs – which would get scratched. A broken record would skip back and repeat itself over and over again. History lesson over!) An investor's probabilities of success are increased when they use more logic than emotion and when they think long-term (big picture) versus short-term (the immediate à la Mr. Magoo). Value in investing is built over years, not weeks and months.

One of my hobbies is gardening, namely vegetable gardening. I like to grow things that you eat. Also, if you know me, there's nothing subtle about how I approach my hobbies. So in my garden

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The Art of the Long View *(continued)*

I have 40 heirloom tomato plants (25 different varieties), zucchini, tomatillos, onions, lettuce, peppers, corn, various herbs, and three type of heirloom watermelons (this year's experiment). I have a large garden. I bring to my gardening what I have learned with investing. For me to expect to reap a decent crop at the end of the season, I have to do a lot of other things beforehand. I started planning in January. I cleaned out the old garden, repaired the watering system, amended that soil, and started the seedlings. This was several months before one plant was placed in my garden. This past weekend, I finished placing the seedlings in the garden (At least my wife hopes I am not adding more – we'll see.)

Now, over the next few months, I must continue to tend to my garden. Does all of this ensure that my harvest will be bountiful? No. A lot can happen to a garden, i.e., disease, bugs, varmints, etc. Success is never a guarantee, but I can shift the odds in my favor using well-established methods, discipline, and patience. I have researched which strategies will increase the odds of success, and I am confident that my probabilities are enhanced by my hard work.

Special offer: I will have a tomato party in the summer at our office should my garden work out. I am now boldly declaring that my garden will be a success. May our gardens and our portfolios be bountiful this quarter.

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Noah's Corner



Risk Management and the Transfer of Risk

In the world of finance, risk management can mean many things. It can be portfolio diversification, diligent manager selection, or downside protection using investments designed to mitigate risk. However, for those who have attained the CERTIFIED FINANCIAL PLANNER™ certification, risk management also refers to the transfer of risk through insurance. For example, a homeowner can buy earthquake insurance to “transfer the risk” of major home repairs or displacement after a catastrophic earthquake. Insurance and the transfer of risk is an important tool in planning for all of our clients. Here are just a few ways in which we can use insurance to help pursue your financial goals:

- 1) Long-Term Care Insurance: One life event that can severely hinder your family's ability to reach your financial goals is the need for long-term care in-home or at a facility. We can help you transfer this risk of needing care to an insurance carrier, so your family can get you the proper help without needing to worry as much about the extraordinary costs that can accumulate at that time.
- 2) Leaving Assets to Loved Ones: All family goals are different. Some families say “my children are fine on their own, and I want to spend every penny I have while I'm still here.” It's a “live life to the fullest” mentality that certainly fits in with our creed that life is about experiences and relationships. However, there are many other clients who have a goal to leave their heirs or charities with a significant amount of financial assets after they pass. We can use different life insurance vehicles to help us ensure that these goals are met.
- 3) Funding a Buy/Sell Agreement: This can be an important way to protect your family and your business partners. Let's say you have a business worth \$2 million and you own it in partnership with another individual. If you were to pass, does your partner have \$1 million in liquid assets to buy your shares of the company? Your family may depend on being able to liquidate your shares of the company in order to pay the mortgage and put food on the table. Our team can help by recommending appropriate life insurance vehicles to match your business and family's needs.
- 4) Protecting a Business: Let's return to the example of a \$2 million business that has two owners. Does that business and its future depend on the expertise of one or both of the partners? If one were to pass, would the business lose a significant amount of value? Let us help you transfer this risk to an insurance company by funding a “key man” insurance policy.

Again, these are just some of the ways that we can help reduce financial risks through the use of insurance products. If any of these strike a chord with you, or if there is another significant financial risk in your life, please reach out to us. We'll do all we can to help you and your family.